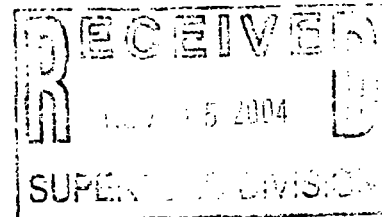




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26 October 2004

Mr. Richard Karl  
USEPA Region 5  
77 West Jackson Blvd  
Chicago, IL 60604



**Re: CERCLA Cleanup Effort at Ft. Sheridan, IL**

Dear Mr. Karl:

We write to you today to bring to your attention a serious issue related to the work being performed by KEMRON Environmental Services, Inc. at the Army installation Fort Sheridan, IL. The issue is not performance related, but instead is related to the actual and potential damage that KEMRON is suffering in the environmental industry due to remarks being made by a US EPA Region 5 employee.

In September of 2001, KEMRON was awarded a Guaranteed Fixed Price Remediation Contract from the US Army for the closure of 13 sites at Fort Sheridan. The nature of GFPR contracting is such that the work scope is performance based and the bid price is guaranteed through the use of cost cap insurance.

KEMRON is a small business with a strong remediation and regulatory resume. At the time of the Fort Sheridan award, ours was the largest GFPR contract ever awarded by the Army to a small business. We committed the resources and senior management to this contract to ensure a quality work product, knowing the importance of our performance on a project of this magnitude and complexity. For the three years since this contract began, KEMRON has performed well above the expectations of our customer, meeting the objectives of the scope of work, operating a safe work place, and keeping the community involved and apprised of progress.

Mr. Owen Thompson was assigned by Region 5 as its Remedial Project Manager for the Fort Sheridan site. Although Illinois EPA was the lead agency, the Army voluntarily funded Region 5 to provide oversight. Throughout the performance period of this contract, without regard to the contract performance, Mr. Thompson has expressed very vocal skepticism and criticism relating to the contract mechanism (GFPR) and the work being performed by KEMRON. Mr. Thompson has stated that he felt the contract was nothing more than a license for the contractor to cut corners and to minimize efforts to enhance profit, although there was no evidence to support this theory. He has accused KEMRON of changing plans and procedures "on-the-fly", cutting corners and otherwise putting profit before necessary steps to protect human health and the environment. KEMRON became especially concerned when he posted a very one-sided, negative, sarcastic and out-of-date commentary relating to KEMRON's performance on the official EPA Region 5 website, a copy of which can be provided upon request. At a 2003 BCT meeting, KEMRON politely asked him to remove the inflammatory statements from the EPA website. In retrospect, at that time, KEMRON should have brought the situation to the attention of EPA upper management.

KEMRON has worked closely with the Department of the Army throughout this project, and has tried to resolve our concerns with Mr. Thompson's negative assessments and disagreements of professional opinions with in the communication forum provided by the Fort Sheridan BCT. To date, KEMRON has accepted Mr. Thompson's criticism without rebuttal in a spirit of cooperation and in the sincere hope that the criticism would end when significant milestones were achieved.

For the past eight months, Mr. Thompson has not been directly involved in any meetings, conference calls, or document reviews at Fort Sheridan. This was due to the cessation of Army funding to Region 5 upon completion of construction of the Landfills 6 and 7 cap, consistent with Army policy. The Army asked KEMRON to continue to send documents to Mr. Thompson after the funding ceased, to allow reviews and provide informational copies,

should a particular item be of interest to the Region. On January 20, 2004, Region 5 refused delivery of a Fort Sheridan document from Federal Express. Subsequently, the Army and KEMRON received a written request from the Region, to have Mr. Thompson's name removed from the mailing list for all Fort Sheridan documents, and this request was honored.

Since Mr. Thompson has not been directly involved with the project for such a significant time period, KEMRON was especially concerned to learn from a representative at the Army Environmental Center, that Mr. Thompson was speaking negatively about the project to other Department of Defense representatives. We were informed that Mr. Thompson participated in a meeting that included representatives of the Air Force. The subject matter of the meeting was GFPR or Performance Based contracting. During that meeting, Mr. Thompson expressed his displeasure with this form of contracting and cited Fort Sheridan and by implication, KEMRON, as a key example. Specifically, Mr. Thompson stated that the contractor (inferring KEMRON) had: 1) cut corners, 2) that, because of the nature of the contract, we were allowed to proceed without regard to process, procedure and regulation, and, 3) would agree to do one thing but would do something else. KEMRON believes these statements to be inaccurate. The project record shows that we have made tremendous effort to address regulators' concerns and to complete our work in a professional manner that consistently provides an acceptable environmentally protective result.

After this meeting, the Army Environmental Center (AEC) called KEMRON to ask what was going on at Fort Sheridan that would warrant this type of reaction from EPA Region 5. Our response was, quite frankly, *nothing*. In fact, in our opinion, Fort Sheridan has been a success story with the only significant problems encountered were a) from skepticism from Region 5 which has caused unnecessary delays and costs and b) from issues relating to a change in Army policy regarding land-use controls. From a technical perspective, KEMRON had exceeded all expectations for performance. Nonetheless, Mr. Thompson implied that there have been insurmountable problems at Fort Sheridan that would cause the reconsideration of this form of contracting. This creates two significant concerns. First is the impact to site remediation programs for the federal government. The GFPR process, although a relatively new form of contracting, has already demonstrated an acceleration of the cleanup schedules and a 30% decrease in project costs, both of which are significant factors to the taxpayers. Second, AEC is a new client of KEMRON's with a newly awarded \$13 million GFPR contract with a lionshare of the work being conducted in Region 5, this meeting and the call that followed was a huge concern to KEMRON management.

While the Army and KEMRON have had some disagreements with state and federal regulators regarding regulatory requirements and technical issues at Fort Sheridan, our work completed to date underscores that KEMRON is completing its contractual scope of work and that we are working within the regulatory framework applicable to this project. Given the latest statements made by Mr. Thompson to Department of Defense personnel holding up the site contractor's (e.g., KEMRON's) work as a negative example of this type of contract, performance and protection, we can no longer ignore the criticisms being openly voiced at our expense.

We are a small business that must make a profit to survive. However, at no time has KEMRON sought to conduct its work at Fort Sheridan to reduce project outlays at the expense of protecting human health and the environment, or fulfilling our contractual obligations to the Army. Our GFPR contract requires us to comply with applicable regulations, including providing environmentally protective remedies; it also provides incentive to be cost effective while bearing the significant risks associated with a large and complex scope of work at a fixed price. Being smart, creative and cost-effective is not at all equivalent to cutting corners or violating statute or regulation. If however, an innovative approach to site closure results in an accelerated schedule and lower costs, KEMRON does indeed profit, as we should, and industry costs for obtaining site closure are driven down.

KEMRON understands that in remedial projects such as the Fort Sheridan Environmental Restoration Project, disagreements regarding technical approach and interpretation of regulatory requirements are to be expected. Further, we fully understand that it is US EPA's job to regulate parties who are legally responsible for remediation of contaminants, and those parties' consultants and contractors. However, it was, and remains, KEMRON's expectation that US EPA express its views and opinions based on scientifically sound facts and consistent application of US EPA policies, and that they be communicated in a professional, non-accusational manner. These expectations are wholly consistent with the *Official EPA Principles of Scientific Integrity*, dated March 2000. The Principles state:

26 October 2004

Page 3

- "It is essential that EPA's scientific and technical activities be of the highest quality and credibility . . . Honesty and integrity in its activities and decision-making processes are vital . . . EPA adheres to these Principles of Scientific Integrity.

EPA employees, whatever their grade, job or duties, must:

- Ensure that their work is of the highest integrity - this means that the work must be performed objectively and without predetermined outcomes using the most appropriate techniques.
- Represent their own work fairly and accurately. When representing the work of others, employees must seek to understand the results and the implications of this work and also represent it fairly and accurately.

Reading further in the document, employees are to:

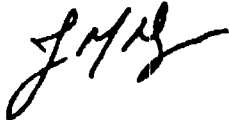
- Welcome differing views and opinions on scientific and technical matters as a legitimate and necessary part of the process to provide the best possible information to regulatory and policy decision-makers."

While Mr. Thompson is entitled to hold any personal opinion regarding guaranteed fixed price and/or performance-based contracting, the inaccurate statements made by Mr. Thompson as a US EPA spokesperson to Department of Defense representatives, implicating poor performance by KEMRON, have far reaching effects. Mr. Thompson's statements as a representative of the government calls into question the integrity of our company and the individuals working on this contract. We respectfully ask that you investigate this matter immediately, and distribute a retraction to these statements to all contacted by Mr. Thompson.

We hope that this letter is regarded objectively and will help to promote the spirit of cooperation for these contracts in the future.

We would like to propose a face to face meeting with those in your office to resolve this matter. Either Tracy Bergquist, the Fort Sheridan Project Manager, or myself will be contacting you shortly to arrange a meeting. If you have questions relating to this matter, please feel free to contact either Tracy Bergquist or myself at (404) 636-0928.

Sincerely,  
**KEMRON Environmental Services, Inc.**



John M. Dwyer  
Executive Vice President

Cc: Mr. Victor Bonilla – BRAC AFO  
Mr. Glynn Ryan – BRAC AFO  
Ms. Janet Kim – Army Environmental Center  
Ms. Sharon Green - Region 5 SDBU